

## Message Text

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12

ACTION EUR-12

INFO OCT-01 EA-06 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01

CIAE-00 CIEP-01 COME-00 DODE-00 EB-07 FPC-01 H-02

INR-07 INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03 SAM-01

OES-03 SP-02 SS-15 STR-04 TRSE-00 FRB-03 PA-01

USIA-06 PRS-01 XMB-02 /103 W  
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R 031429Z APR 75

FM AMEMBASSY MOSCOW

TO SECSTATE WASHDC 8869

INFO USDOC WASHDC

AMEMBASSY PARIS

AMEMBASSY TOKYO

C O N F I D E N T I A L MOSCOW 4556

E.O. 11652: GDS

TAGS: ETRD, ENRG, EEWT, UR, FR, JP

SUBJECT: STATUS OF OCCIDENTAL PETROLEUM'S PROJECTS IN USSR

USDOC FOR BEWT/TDAD

1. SUMMARY: DURING MEETING WITH AMBASSADOR APRIL 2, OCCIDENTAL PETROLEUM BOARD CHAIRMAN ARMAND HAMMER GAVE GENERALLY OPTIMISTIC RUNDOWN ON STATUS OF OXY'S PROJECTS IN USSR, INCLUDING PROPOSED YAKUTIA NATURAL GAS/LNG DEAL. HAMMER ALSO INFORMED AMBASSADOR THAT HE HAD SUCCESSFULLY CONCLUDED NEGOTIATIONS FOR MAJOR EXCHANGE OF ART EXHIBITIONS BETWEEN HERMITAGE AND GROUP OF FIVE U.S. MUSEUMS (SEE SEPTEL-NOTAL). END SUMMARY.

2. TRADE CENTER. HAMMER ADVISED THAT SOVIETS HAD ACCEPTED ENGINEERING PROJECT DEVELOPED BY BECHTEL AND THAT TRADE CENTER PROJECT WAS MOVING AHEAD WELL. GROUND-BREAKING WAS ENVISAGED FOR EARLY SUMMER, ALTHOUGH SOME PREPARATORY WORK ON SITE WAS ALREADY UNDERWAY.

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3. KUIBYSHEV AMMONIA PROJECT. MAJOR REMAINING UNSETTLED ISSUE ON KUIBYSHEV AMMONIA PROJECT CONCERNS CONSTRUCTION OF PIPELINE FROM KUIBYSHEV TO ODESSA, VIA GORLOVKA. HAMMER NOTED THAT DUE TO LACK OF FINANCING, ORIGINAL PLAN TO SUPPLY EQUIPMENT AND MATERIALS FOR THIS PHASE OF PROJECT FROM U.S. HAD BEEN DROPPED IN FAVOR OF FRENCH VARIANT. HOWEVER, HE SAID THAT HE HAD SUCCEEDED IN PERSUADING SOVIETS TO ALLOW SOME U.S. PARTICIPATION IN FORM OF ENGINEERING AND DESIGN SERVICES PROVIDED BY WILLIAMS BROS. (UTLSA). WITH ESTIMATED VALUE OF DOLLARS 300 MILLION, FRENCH COMPANIES (VILLOUREC/ENTREPOSE) WILL RECEIVE LION'S SHARE OF BUSINESS (ABOUT DOLLARS 280 MILLION). COMMATT RAISED QUESTION OF SOVIET ENVIRONMENTAL CONCERNS OVER AMMONIA PIPELINE WHICH EMBASSY HAD UNDERSTOOD WERE HOLDING UP AGREEMENT ON THIS PROJECT. HAMMER CONFIRMED THAT SOME LOWER-LEVEL SOVIET OFFICIALS HAD RAISED OBJECTIONS TO CONSTRUCTION OF AMMONIA PIPELINE THROUGH THEIR AREAS, BUT OXY HAD SOLVED PROBLEM BY TAKING MORE SENIOR OFFICIALS TO U.S. FOR INSPECTION OF TWO EXISTING AMMONIA PIPELINES, BOTH OF WHICH WERE CONSTRUCTED BY WILLIAMS BROS. HAMMER STRESSED THAT TECHNICAL PROPOSAL FOR AMMONIA PIPELINE HAD BEEN FULLY ACCEPTED BY SOVIETS AND THAT ONLY COMMERCIAL TALKS REMAINED. (COMMENT: FRENCH EMBASSY HAS IMPRESSION THAT SOVIETS

ARE STILL UNEASY ABOUT ENVIRONMENTAL DANGERS POSED BY AMMONIA PIPELINE AND ARE STILL LOOKING AT POSSIBILITY, HOWEVER REMOTE, OF USING RAIL CARS TO TRANSPORT LIQUID AMMONIA FROM KUIBYSHEV TO ODESSA. ACCORDING TO HAMMER, HOWEVER, SENIOR SOVIET OFFICIALS ARE PRESSING OXY TO BEGIN COMMERCIAL NEGOTIATIONS ON PIPELINE PROJECT. END COMMENT.)

4. YAKUTSK NATURAL GAS/LNG. HAMMER WAS SURPRISINGLY OPTIMISTIC ABOUT PROSPECTS FOR MOVEMENT ON YAKUTSK EXPLORATION PHASE. HE ADVISED THAT DURING MEETING IN HOUSTON TEN DAYS AGO, HE HAD REACHED AGREEMENT WITH BANK OF AMERICA PRESIDENT CLAUSEN ON DOLLARS 100 MILLION FINANCING PACKAGE WHICH WOULD COVER U.S. SHARE OF CREDIT FOR EXPLORATORY PHASE. EL PASO CHAIRMAN BOYD HAS DISCUSSED PROJECT WITH CHASE MANHATTEN CHAIRMAN ROCKEFELLER, AND HAMMER SAID PROSPECTS WERE GOOD THAT SYNDICATE WOULD BE CO-MANAGED BY BOFA AND CHASE. AMBASSADOR ASKED WHETHER THIS GROUP WOULD BE ABLE TO OFFER INTEREST RATE AND MATURITY

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WHICH WOULD BE ATTRACTIVE TO SOVIETS. HAMMER AVOID DIRECT ANSWER BUT SAID THAT HE WAS PRESSING FOR DEPUTY MINISTER OF FOREIGN TRADE ALKHIMOV TO VISIT UNITED STATES ASAP TO WORK OUT DETAILS OF FINANCING PACKAGE. (COMMENT: IMPLICATION OF HAMMER'S REMARKS WAS THAT COMBINATION OF ALKHIMOV'S SKILL AND GOOD WILL ON SIDE OF BANKS WOULD SOMEHOW OVERCOME PROBLEM. HE CONFIRMED THAT THIS FINANCING WOULD BE IN ADDITION TO DOLLARS 500 MILLION REVOLVING CREDIT FACILITY WHICH CLAUSEN RECENTLY ANNOUNCED.

END COMMENT.) HAMMER NOTED THAT THERE WERE STILL SOME PROBLEMS  
ON JAPANESE FINANCING DUE TO FACT THAT EX-IM WAS OUT OF PICTURE.  
HE ADDED, HOWEVER, THAT DECISION ON FINANCING WOULD BE REFERRED  
TO PM MIKI THIS WEEK AND THAT POSITIVE OUTCOME SEEMED LIKELY.  
JAPANESE DECISION, IF ONE IS REACHED, WILL BE PASSED ON TO  
SOVIETS BY PRESIDENT OF JAPANESE EX-IM BANK , WHO IS SCHEDULED  
TO COME TO MOSCOW APRIL 8 FOR CELEBRATION MARKING 50TH  
ANNIVERSARY OF BANK FOR FOREIGN TRADE.  
STOESSEL

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## Message Attributes

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